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OFFICE OF PUBLIC AND INDIAN HOUSING
REAL ESTATE ASSESSMENT CENTER
FINANCIAL MANAGEMENT DIVISION

Calculation of Utilities Expense Level (UEL) Inflation Factor for Calendar Year (CY) 2016

The data for calculating the UEL Inflation factor for CY 2016 is extracted from the Bureau of Labor Statistics (BLS) 'Consumer Price Index for All Urban Consumers (CPI-U). The reporting periods for operating subsidy calculation run from July 1 to June 30. Using the monthly indices for the 12-month period, an average index is calculated for each of the reporting periods, by utility type. Nationally, the weighted change in utility price between the CY 2015 and CY 2016 reporting periods (weighted by the percentage of total public housing spending on utilities, by type) was -0.27% (see Table 1).

The rate of change in the reporting period (-0.27%) is then multiplied by 1.5 to reflect the anticipated rate that PHAs will pay during the funding period. In essence, the funding period lags the reporting period by 18 months (1.5 years). As shown below, this calculation results in a CY 2016 UEL inflation factor of -0.4%. The -0.27% (weighted rate of change in reporting period) x 1.5 (18 month lag) = -0.4% (2016 UEL Inflation Factor).
The inflation factor to be used on the CY 2016 HUD-52722 is -1.004 -(1 + 0.004)

Table 1: Calculation of CY 2016 UEL Inflation Factor

| Utility Type [a] | Percent of Total Utility Costs [b] | July 2013-June 2014 CPI Average [c] | July 2014-June 2015 CPI Average [d] | Inflation Factor [e] | Weighted Inflation Factor [f] = [b] x [e] |
|--|---|---|---|----------------------------|---|
| Water | 32% | \$ 457.67 | \$ 480.86 | 5.07% | 1.63% |
| Electricity | 36% | \$ 204.61 | \$ 209.84 | 2.56% | 0.93% |
| Gas | 17% | \$ 182.26 | \$ 176.09 | -3.38% | -0.56% |
| Fuel | 13% | \$ 376.42 | \$ 310.17 | -17.60% | -2.29% |
| Other Utilities | 2% | \$ 230.56 | \$ 233.22 | 1.15% | 0.02% |
| Total Utility Costs | 100% | | | | |
| Weighted Average Inflation Factor | | | | | -0.27% |
| CY 2016 UEL Inflation Factor - Using 18-months Adjustment | | | | | -0.40% |

See Table 2 for details on the computation of utility specific CPI indices.

Table 2: Calculation of Inflation Factor by Utility Type Using CPI-U

Dated : 10/16/2015

| Reporting Period | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Average Index | Inflation Factor |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------|------------------|
| Water & Sewerage Maintenance | | | | | | | | | | | | | | |
| CY 2015 (Jul 13 - Jun 14) | 451.200 | 452.459 | 452.456 | 454.864 | 454.999 | 455.317 | 458.119 | 461.013 | 462.214 | 462.830 | 462.998 | 463.579 | 457.671 | |
| CY 2016 (Jul 14 - Jun 15) | 468.197 | 471.538 | 471.925 | 475.476 | 478.295 | 480.698 | 483.308 | 486.233 | 487.250 | 488.293 | 488.981 | 490.072 | 480.856 | 5.07% |
| Electricity | | | | | | | | | | | | | | |
| CY 2015 (Jul 13 - Jun 14) | 209.538 | 208.514 | 209.106 | 200.392 | 197.442 | 198.043 | 203.026 | 202.224 | 204.131 | 198.654 | 206.715 | 217.529 | 204.610 | |
| CY 2016 (Jul 14 - Jun 15) | 217.930 | 217.148 | 215.054 | 206.667 | 202.889 | 204.275 | 208.172 | 208.696 | 205.894 | 206.179 | 207.683 | 217.468 | 209.838 | 2.56% |
| Utility Gas Service | | | | | | | | | | | | | | |
| CY 2015 (Jul 13 - Jun 14) | 177.356 | 173.861 | 173.315 | 173.329 | 173.035 | 172.898 | 179.982 | 186.095 | 199.340 | 196.872 | 192.303 | 188.769 | 182.263 | |
| CY 2016 (Jul 14 - Jun 15) | 189.659 | 183.960 | 183.376 | 179.226 | 178.558 | 182.908 | 179.184 | 173.978 | 170.592 | 164.839 | 162.639 | 164.205 | 176.094 | -3.38% |
| Fuel Oil | | | | | | | | | | | | | | |
| CY 2015 (Jul 13 - Jun 14) | 359.780 | 364.124 | 367.519 | 365.450 | 366.749 | 375.607 | 389.522 | 405.344 | 393.705 | 382.025 | 376.855 | 370.317 | 376.416 | |
| CY 2016 (Jul 14 - Jun 15) | 367.725 | 363.420 | 355.892 | 341.771 | 329.681 | 303.844 | 273.718 | 279.040 | 295.603 | 270.850 | 272.874 | 267.649 | 310.172 | -17.60% |
| All Utilities | | | | | | | | | | | | | | |
| CY 2015 (Jul 13 - Jun 14) | 230.899 | 229.580 | 230.318 | 225.244 | 223.566 | 224.407 | 230.098 | 232.014 | 235.139 | 230.588 | 234.483 | 240.396 | 230.561 | |
| CY 2016 (Jul 14 - Jun 15) | 241.250 | 239.790 | 238.285 | 232.192 | 229.680 | 231.150 | 232.309 | 231.912 | 229.829 | 228.304 | 228.748 | 235.136 | 233.215 | 1.15% |